

Top Secret

25X1

H.R.

USIB

UNITED STATES
INTELLIGENCE
BOARD

National Intelligence Bulletin

Top Secret

15 November 1974

25X1

No 654

Page Denied

National Intelligence Bulletin

November 15, 1974

CONTENTS

SOUTH KOREA: Opposition continues to attack repressiveness of Pak regime. (Page 1)

PORTUGAL: Lisbon continues to be interested in cultivating Arab goodwill. (Page 2)

INTERNATIONAL FINANCIAL DEVELOPMENTS: Dollar declined sharply yesterday; gold reached record high. (Page 4)

ITALY: Military concerned about Italy's ability to fulfill its commitment to NATO. (Page 5)

USSR-FRANCE: New economic cooperation agreement being negotiated. (Page 6)

25X1
USSR: Demichev appointed minister of culture. (Page 9)

25X1
IRAQ: Significant cabinet shakeup. (Page 12)

INDIA: New Delhi reportedly will purchase MIG-23s. (Page 13)

ANGOLA: Order restored in Luanda. (Page 14)

CHINA: Peking continues to curtail agricultural imports. (Page 15)

EC-ENERGY: Members debate energy proposals. (Page 16)

FOR THE RECORD: (Page 19)

National Intelligence Bulletin

November 15, 1974

SOUTH KOREA

Groups opposing President Pak appear intent on building up the pressure on him prior to President Ford's visit. Pak's opponents wish to dramatize the repressiveness of the regime.

Opposition leader Kim Yong-sam and seven colleagues were briefly detained today after leading a small demonstration in protest against the constitution. As many as 50 members of the National Assembly marched with Kim to the entrance of the Assembly building, where they were met by 100 government party members and 200 riot police.

At a press conference yesterday, Kim said his party would immediately spearhead a struggle using "all methods" regardless of "sacrifices." He renewed demands for constitutional reforms, including direct, popular election of the president. The present constitution, pushed through by Pak in 1972, provides for indirect presidential elections by a body handpicked by the government. Pak has refused to consider any change.

A similarly strong speech by Kim early last month was followed by large-scale demonstrations by students and Christians. This could happen again. Well-attended Christian protest meetings have been more frequent in recent weeks, both in Seoul and in the major provincial cities. Feelings among students still run high, although student demonstrations have been curtailed by the closing of universities.

President Pak is following a relatively restrained policy toward opposition activities.

25X1

National Intelligence Bulletin

November 15, 1974

PORTUGAL

Foreign Minister Soares' swing through Tunisia and Libya during the past week reflects Lisbon's continuing interest in cultivating Arab goodwill.

In both countries, Soares stressed the importance Portugal attaches to improving its relations with the Arab states. The Portuguese are interested in attracting Arab investments and ending the Arab oil boycott that began when the former Portuguese government allowed US planes to use the Azores base while airlifting supplies to Israel in October 1973.

Soares implied at a press conference in Tunis that the US could no longer count on using the Azores in the event of another round of fighting between the Arabs and the Israelis. If this were to occur, the Portuguese government would make a decision "in conformity with its interests." Minister Without Portfolio Vitor Alves adopted a similar line at a Brussels press conference, insisting that Lajes is a NATO base and "must be used in a NATO context."

A recent editorial in the liberal Lisbon weekly Expresso--reportedly written at the suggestion of President Costa Gomes' office--provides additional details on Lisbon's "Arab offensive." It notes that, in addition to Soares' mission, the Portuguese have taken a number of measures to bring about a rapprochement with the Arabs. These include Costa Gomes' reference to the necessity for closer ties with the Arabs in his recent UN address, a presidential message calling for improved relations that was delivered before the recent Arab summit in Morocco, and the planned visit to other Arab states by Minister Without Portfolio Melo Antunes. This visit had previously been billed [redacted] as an attempt to discuss with Algerian President Boumediene the possibility of Portugal leaving NATO and joining the nonaligned group.

25X1

National Intelligence Bulletin

November 15, 1974

The editorial noted, however, that although nonalignment has been discreetly defended in some Portuguese political circles, it has certain disadvantages--including the certainty of alienating the US and the unreliability of the Arab oil-producing states as sources of aid, despite their wealth. The article points out that Arab oil money has been deposited in "safe" Western countries.

Not all the Arab countries have been receptive to Lisbon's courtship. Libya's Qadhafi, for example, advised Soares to hurry the pace of Portugal's decolonization measures if it wished to demonstrate its sincerity and persuade the nonaligned states to establish closer ties with Portugal.

Despite the mixed response Portugal seems to be eliciting in its courtship of the Arabs, it is clear that Lisbon is attempting to signal that it could develop other options at a time when negotiations for the renewal of US base rights in the Azores are under way.

National Intelligence Bulletin

November 15, 1974

INTERNATIONAL FINANCIAL DEVELOPMENTS

The dollar declined sharply yesterday in hectic trading, while the price of gold set another record at \$188.25 an ounce. The dollar declined most against the Swiss franc, which gained 3.3 percent, bringing its appreciation to more than 7 percent over the past month.

Dealers attributed the rise in the price of gold mainly to renewed currency uncertainties.

Several factors apparently helped contribute to the dollar's decline:

--West German Chancellor Schmidt's statement Wednesday evening that he had no objection to seeing a further rise in the mark's value, combined with the apparent absence of heavy central-bank intervention, helped dispel rumors circulated last week that central bankers had agreed to prevent further substantial declines of the dollar.

--The Federal Reserve's decision to restructure reserve requirements was taken as another indication that there would be further reductions in US short-term interest rates.

--The announcement of the October wholesale price increase in the US. [REDACTED]

25X1

National Intelligence Bulletin

November 15, 1974

ITALY

Galloping inflation and a continuing political crisis are undermining Italy's ability to fulfill its military commitment to NATO. Left-of-center elements within the government have recently become more assertive and are likely to press harder for increased spending on social programs at the expense of the military.

Attaché reporting reflects the deep concern of Italian military leaders about the ability of the armed forces not only to meet NATO standards but even to fulfill the basic mission of defense of national territory.

--According to Admiral Gino de Giorgi, the Italian chief of naval operations, the navy cannot, at present levels of ship construction, continue to meet its NATO commitments. By 1984, the navy will have "ceased to exist" for all practical purposes.

--Italian air force pilots were not able to maintain NATO standards for flight training in 1974, and shortages of ammunition will continue to limit opportunities for live-fire exercises. Unless additional funds can be made available for procurement of aircraft and other equipment, the air force will find itself in a difficult situation by the end of this decade.

--Many army combat units earmarked for NATO are maintained at strength levels far below the alliance's minimum standards.

--Current budget proposals for 1975 envisage a 40-percent cut in funding for military research and development.

Italian service chiefs are attempting to cope with rising prices by cutting nonessential expenditures. They also are undertaking limited reorganizational measures which would make it possible to fulfill their responsibilities more efficiently and economically. Such action will allow Rome to achieve some immediate savings, but they will not provide any long-range solution to Italy's defense spending problems.

National Intelligence Bulletin November 15, 1974

There appears to be no prospect for arresting the decline, in real terms, of defense expenditures. The 10-percent increase proposed for the 1975 defense budget--from \$4 billion to \$4.4 billion--will be more than wiped out by the 19-percent inflation rate. Italy plans to spend about 60 percent of its 1975 budget on personnel costs, and about 16 percent on major equipment, ammunition, and missiles. The likely continuation of an imbalance between operating costs and capital expenditures over the next several years probably will force Italy to stretch out important equipment modernization programs. [REDACTED]

25X1

USSR-FRANCE

Paris and Moscow apparently have completed negotiations for a five-year economic cooperation agreement and a ten-year industrial cooperation agreement. Both documents, however, are merely lists of aspirations rather than concrete plans for action. Moreover, they are limited by an annex stating that any part of the agreements conflicting with present or future EC regulations will be inoperative. The agreements will be signed at the ministerial level instead of at the Brezhnev-Giscard meetings next month, as the Soviets had wanted.

A third and more important agreement, involving export credits, is still being negotiated. Paris reportedly is flexible on the total amount of credits but is asking an interest rate of 7.75 percent. The Soviets, however, are adamantly demanding 6.5 percent. In view of France's growing economic problems and its ambitious export goals, some softening of the French position is possible. The French negotiators are returning to Moscow next week, but they are not likely to go below the 7.5-percent minimum agreed to with the other major Western countries last month. [REDACTED]

25X1

Page Denied

Next 1 Page(s) In Document Denied

National Intelligence Bulletin

November 15, 1974

USSR

The designation on November 14 of Politburo-candidate member Petr Demichev as minister of culture succeeding Yekaterina Furtseva, who died late last month, is a signal that the Politburo intends to continue its scrutiny over the implementation as well as the making of cultural policy.

The 56-year-old Demichev has been the party secretary in charge of propaganda, culture, and party indoctrination. He thus takes over the less important governmental post in a sector that has long been his party responsibility. Past practice suggests that Demichev's ministerial appointment will lead to his eventual removal from the secretariat. While members of the policy-making Politburo may and do hold government posts, members of the policy-implementing secretariat traditionally do not.

In cultural affairs, Demichev has generally been a neutral influence in leadership councils. His departure from the secretariat could signal dissatisfaction with his performance. Shortcomings in this sector have been one of the main issues of the heavily publicized campaign for ideological vigilance that has been under way since late summer.

Page Denied

Next 1 Page(s) In Document Denied

25X1

25X1

National Intelligence Bulletin

November 15, 1974

IRAQ

US officials in Baghdad see the Iraqi cabinet shakeup on Monday as the most significant since the Baath Party took power in 1968. They believe that Baath Party strongman Saddam Husayn Tikriti has consolidated his control over state machinery and strengthened the cohesiveness of the regime. He has installed party members loyal to him in key posts.

The new cabinet demonstrates once again that the Baath Party has no intention of sharing power with the Communists, Arab nationalists, or any other group. On the other hand, the naming of a number of well-qualified men does point to a continuation of the trend toward more independent and pragmatic policies.

US officials believe that President Bakr, who also retains his post as defense minister, maintained the position he held prior to the reshuffle. Saddam Husayn and he will continue to share power.

The US representative in Baghdad considers the appointment of the US-educated Sadun Hammadi as foreign minister a hopeful sign for Iraq's relations with the West. Hammadi will probably be executor, however, rather than formulator of Iraq's foreign policy, which is expected to continue to lean toward nonalignment.

National Intelligence Bulletin

November 15, 1974

INDIA

[REDACTED] 25X1 DIA
the Indians have decided to purchase 50 MIG-23s from the USSR. For financial reasons the MIG-23 is India's most likely choice, but such a decision has not been confirmed. Reportedly an agreement was also reached permitting New Delhi to begin licensed production of the aircraft in 1978.

Secretary of Defense Govind Narain recently admonished the service chiefs and other officials for their procrastination in refusing to accept the fact that, given India's foreign exchange problems, liberal Soviet credit terms are the only viable means of acquiring military hardware.

The MIG-23 was not wanted because of past experience with other Soviet aircraft. This involved wing cracks in MIG-21s, poor performance of aircraft fire control radars, and long lead time in parts replacement.

Air force concern over modest improvements in the Pakistani air force in recent years and India's inability to replace its aging aircraft through indigenous production likely prompted the decision.

Acquisition of the MIG-23 would raise the attack fighter capabilities of the Indian air force and maintain its position as the dominant air power in South Asia. [REDACTED]

25X1

25X1

National Intelligence Bulletin

November 15, 1974

ANGOLA

Portuguese troops have restored order in Luanda after a wave of violence that lasted a week and reportedly resulted in at least 100 deaths.

According to the US consul general in Luanda, the violence began with sporadic clashes in the city's black slum areas and was later intensified when supporters of the rebel Popular Movement for the Liberation of Angola attacked their rivals in the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola. The National Front temporarily helped local forces impose order but was rebuffed by the Portuguese authorities when it tried to assume a major police role.

The restoration of order could be short-lived. Luanda is the Popular Movement's political stronghold within Angola and the special preserve of Agostinho Neto, the movement's president. The National Front, however, has more troops inside Angola than does the Popular Movement and is infiltrating armed elements into Luanda.

25X1 [redacted]
25X1 [redacted] The potential for a major clash between the rival groups thus remains strong.

The Army High Command in the territory apparently has realized that its locally recruited forces, most of whom are black, cannot be counted on to take aggressive action to enforce order. It has decided to establish special units made up of troops from Portugal for use in civil disturbances. Army leaders are hoping these units will be more reliable and help dispel the popular belief that the army has lost its will to fight.

According to press reports, the Lisbon-appointed junta that runs Angola has now decided to drop its earlier plan for a transitional government that would

National Intelligence Bulletin

November 15, 1974

include the liberation groups. The territory's secretary for social communications has announced a plan for a "guerrilla commission" that will "run parallel" to the present Angolan government and eventually merge with it. The commission apparently is to play an advisory role.

The new plan, however, appears to be little more than new packaging of an old product and offers no solution to the local government's major problem--how to convince the liberation groups to cooperate with each other. After the violence of the past week, such cooperation seems more remote than ever.

25X1

CHINA

Peking is continuing a policy, which began in September, of curtailing agricultural imports for the remainder of 1974. A short-term foreign exchange problem, together with the possibility of an improved harvest outlook, could help account for China's efforts to curtail scheduled imports.

In addition to reducing its scheduled grain imports for 1974, China is now also delaying or seeking cancellation of deliveries of some other goods.

25X1

As a result of these curtailed imports, China has subchartered several vessels originally slated for use in its own grain trade.

National Intelligence Bulletin

November 15, 1974

EC-ENERGY

The EC may have made some progress this week toward reconciling membership of the Eight in the International Energy Agency and the Nine's participation in the French-proposed consumer-producer conference. The process will be helped if the new moves toward development of the EC's long-stalled common energy policy pan out.

At an EC foreign ministers' meeting in Brussels, French Foreign Minister Sauvagnargues called for agreement at the summit next month on elements of a common energy policy, a major French objective. He also spoke positively about the efforts of the US-backed International Energy Agency, which is to be formally established next week without French participation. He "conceded" that the EC Commission could assume an observer's role at the IEA. In return, he implied, the summit should endorse France's call for an oil conference early next year in which the EC would participate as a single entity.

French officials described the initial reactions to these suggestions as quite favorable, although the UK remains reserved about the consumer-producer conference. The French were to discuss energy policies further with the British this week in London.

The British and German foreign ministers, meanwhile, have agreed that there is not enough time to adequately prepare for a preliminary meeting of oil producers and consumers--proposed by France for late November--prior to the EC summit and President Giscard's mid-December meeting with President Ford. In this connection, Sauvagnargues told the Nine that France would consult with the US on energy matters in order to have the US reaction prior to the next EC ministerial discussions in late November.

An EC Commission proposal for discussions between oil producing and consuming countries that emphasized the need for prior development of an agreed EC position was tabled at the Council but not discussed. Along with

National Intelligence Bulletin

November 15, 1974

the French recommendations at the Council, the Commission paper will be discussed by the ad hoc group on summit preparations and then again by the EC Council.

There seems to be general recognition by France's partners that only if there is progress on internal EC energy measures will Paris be likely to change its mind about participation in the IEA. The Commission has stepped up its preparation of papers intended to form the basis of a common policy, and several were discussed by the EC Energy Committee this week.

The reactions of member-state energy officials to the paper dealing with oil were along predictable lines, with the British, Germans, and Dutch favoring relatively freer market arrangements and the French urging greater organization and public control over energy supplies within the Community. On the political level, particularly in Bonn and Paris, there may nevertheless be increased interest now in finding formulas to mute such differences--both so that the summit might claim some success and in order to minimize contrasting approaches to international oil cooperation.

Page Denied

25X1

25X1

National Intelligence Bulletin

November 15, 1974

FOR THE RECORD

25X1

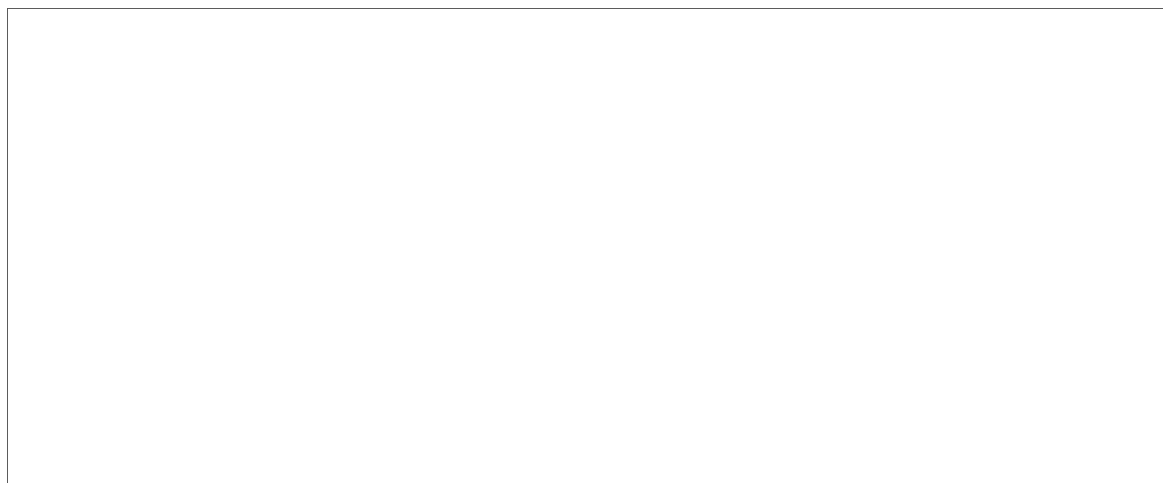
Spain: During his farewell call on Franco on November 13, Ambassador Rivero received the impression that the Spanish leader is in surprisingly good health, considering his recent illness and known medical infirmities. Franco was mentally alert and his voice clearer than it had been on previous occasions. His hands still tremble, but his handshake was firm and there was no other evidence of general deterioration in his physical condition.

25X1

25X1

National Intelligence Bulletin

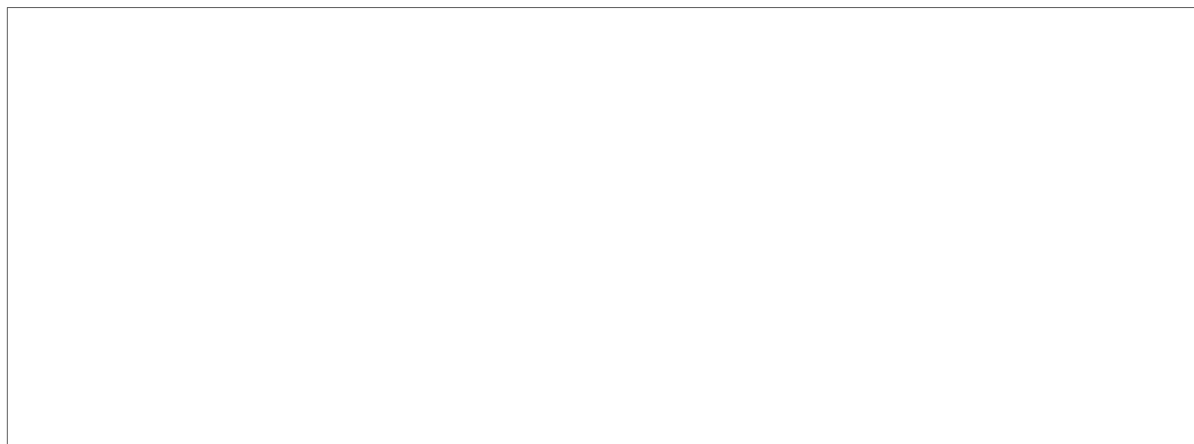
November 15, 1974



25X1

China-Japan: China and Japan yesterday agreed to establish consulates in Shanghai and Osaka. No date was announced for opening the new missions. The agreement was reached during Chinese Vice Foreign Minister Han Nien-lung's current visit to Tokyo, during which he signed a Sino-Japanese shipping pact. According to Japanese press reports, Han also planned to raise opening negotiations for a Sino-Japanese peace treaty. The way was cleared earlier for opening the talks when Peking agreed not to introduce the troublesome Senkaku Islands issue into the negotiations.

25X1



25X1

25X1

Top Secret

Top Secret



25X1